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RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE

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SUBJECT: NEW NZ GOVT ANNOUNCED

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[11](#). (SBU) Summary. On November 16, a mere eight days after election day, New Zealander's Prime Minister-elect John Key announced that a new center-right government has been formed after he secured the support of three smaller parties. A new National-led minority government will include the ACT, United Future and the Maori Party. On November 17, Key announced his incoming government's ministerial lineup, which included the leaders of the three support parties that will sit outside of cabinet. The new Foreign Minister is Murray McCully; Tim Groser is the new Trade Minister with Dr. Wayne Mapp as the incoming Defence Minister. Key and his Cabinet are expected to be sworn-in on November 19 before he departs for the APEC Leaders Summit in Peru. Key has gotten over his first governance challenge - forming a government faster than most expected. End Summary.

#### New Government Formed

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[12](#). (SBU) On November 16, Prime Minister-elect John Key announced the formation of a National-led minority center-right government after he had signed separate agreements with the ACT Party, United Future and the Maori Party to secure their respective support. The governing arrangement with the three parties is not a formal coalition. Rather, each party negotiated with National an agreement that will enable National to survive no-confidence votes in Parliament. This support will also preserve the supply of critical government funding. National now has 70 votes on confidence and supply issues of the 122 seats in parliament.

[13](#). (SBU) All three separate confidence and supply agreements negotiated with National placed greater emphasis on relations between the respective smaller party and National rather than specific policies or legislation. A hallmark of Helen Clark's governments was the number of significant policy concessions she made to her support parties during negotiations. Although Key has made some concessions of policy and position, they are relatively minor by comparison. All three support parties have agreed to support legislation which works towards confidence and supply measures with all other legislation to be reviewed on a case-by-case basis.

New PM and Cabinet to be Sworn in Shortly

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[14](#). (SBU) It is expected that John Key and his new

Cabinet will be sworn in by New Zealand Governor General, the Honorable Anand Satyanand, on November 19. On November 22, Key is expected to attend the APEC Leaders Summit in Peru, accompanied by his new Foreign Affairs Minister Murray McCully, Trade Minister Tim Groser, the Chief Executive of the New Zealand Ministry of Foreign Affairs and Trade, Simon Murdoch and the Chief Executive of the Treasury, John Whitehead.

#### The New Cabinet

15. (SBU) On November 17, Key announced his Cabinet of twenty-eight ministers - inside and outside the cabinet - the same number as the outgoing Labour administration. John Key will assume the traditional Prime Ministerial portfolio responsibilities - Minister in Charge of the NZ Security Intelligence Service and the Minister Responsible for the Government Communications Security Bureau (GCSB). Key has also chosen to be the new Tourism Minister. Key's deputy Bill English will be Deputy Prime Minister and will also take the heavyweight Finance portfolio and the newly minted Infrastructure portfolio. Murray McCully will become the Minister of Foreign Affairs, with former WTO negotiator Tim Groser the Minister of Trade, Associate Minister of Foreign Affairs and Associate Minister for Climate Change Issues (International Negotiations). Dr. Wayne Mapp will become Minister of Defence. Senior National Party MP Gerry Brownlee becomes Minister for Economic Development and the Minister of Energy and Resources. Simon Power will be the new Minister of Justice, Minister for State Owned Enterprises and the Minister of Commerce. Dr. Nick Smith will look after the Environment portfolio, in addition to becoming the Minister for Climate Change

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Issues. The National Party's most senior Maori MP, Georgina te Heuheu, will be the Minister of Pacific Island Affairs and the Minister for Disarmament and Arms Control.

#### Support Party Ministers Outside of Cabinet

16. (SBU) Under the terms of the respective agreements with National, leaders from National's support parties will be appointed to ministerial positions. Although all will be outside of cabinet, these ministers will nevertheless be "part of the government" in relation to their responsibilities. This means that each support party leader is not bound by the convention of collective responsibility on issues not directly related to their respective portfolios. (Note: A similar arrangement in the previous Labour-led government allowed former Foreign Affairs Minister Winston Peters to publicly speak out against the signing of the NZ-China FTA on the basis that the deal was a trade matter and thus outside of his Foreign Affairs portfolio. Key and National criticized the arrangement at the time but since the election, Key said that in retrospect he had been wrong. End Note).

17. (SBU) ACT's Leader Rodney Hide and deputy leader Heather Roy are to be ministers outside of Cabinet with Hide the Minister of Local Government, Minister for Regulatory Reform and Associate Minister of Commerce. Roy will be Minister of Consumer Affairs, Associate Minister of Defence and Associate Minister of Education. United Future leader Peter Dunne retains the Revenue portfolio he held under the previous Labour-led Government. The co-leader of the Maori Party, Dr. Pita Sharples, will become Minister of Maori Affairs, Associate Education and Corrections Minister. The other Maori Party co-leader, Tariana Turia, will become Minister for the Community and Voluntary Sector and will be Associate Minister for Health and Social Development.

The Deal with ACT

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¶8. (SBU) Much of the confidence and supply agreement National negotiated with the right-wing ACT reflects their mutual objective to curb government expenditure and cut business regulation. Specific terms include a commitment to freeze the current Emissions Trading Scheme (ETS), to establish a special committee to re-examine the current ETS legislation and examine alternatives and to repeal the ban on thermal generation. National will also support ACT's hard-line 'Three Strikes You're Out' on crime within the select committee.

The Deal with United Future  
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¶9. (SBU) The core of the United Future agreement with National is similar to that negotiated by ACT and the Mario party: a commitment for the Government to consult with United Future on issues including the broad outline of the legislative program, key legislative measures, major policy issues and broad budget parameters. Specifically, United Future has negotiated to maintain the policy, research and advocacy role of the Families Commission, which the party helped establish in the previous Labour-led government. Another central element is a commitment to progress a long-term medicines strategy for quality use of pharmaceuticals in the health sector.

The Deal with the Maori Party  
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¶10. (SBU) Even though National did not need the five Maori votes to form a government, Key went to great lengths to court this traditional Labour-leaning party. Under the terms of the deal with the Maori Party, National will not seek to remove the Maori seats without the consent of Maori, effectively scrapping its policy to repeal the electoral seats specifically designated for voters on a separate roll for the indigenous Maori. Before the election, Key's stated position was to move over time to abolish the Maori seats. The National-led Government will also undertake a review of the controversial Foreshore and Seabed Act, a law which served as the catalyst for the formation of the Maori Party, which opposed it.

Government Formed in Record Time

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¶11. (SBU) It only took Key eight days to form his government, the quickest for any government since New Zealand's first election under New Zealand's proportional representation MMP electoral system in 1996. (Note. The 1996 National Party-New Zealand First coalition government took eight weeks to form. Helen Clark took thirty-two days to negotiate support and co-operation deals with three parties following the 2005 election. End Note). Few expected he could form a government in time to attend this week's APEC Leaders meeting, but John Key has sped past this first governance hurdle.  
McCormick